

Federal Hire Act Includes Payroll Tax Breaks for Employers



On March 18, 2010, a new law, known as the Hiring Incentives to Restore Employment (**HIRE Act**) (the “**HIRE Act**”), was passed by Congress. The **HIRE Act** is intended to stimulate employment by, among other things, providing \$17.6 billion in tax incentives to businesses to hire unemployed workers, and extending a small business expensing tax break.

Social Security Tax Exemption

Under the **HIRE Act**, you would be exempt from paying the employer’s share of 2010 Social Security taxes on any previously unemployed individual hired after February 3, 2010, who has not been employed for more than 40 hours in the prior 60-day period. The maximum tax break you could gain per employee under this provision would be \$6,621, or 6.2 percent of wages paid after March 19, 2010, and before December 31, 2010, up to the \$106,800 FICA wage cap. You will still need to withhold the employee’s share (6.2 percent) of Social Security taxes as well as any other applicable taxes. These tax savings will be reported on your quarterly Form 941 starting in the second quarter of 2010.

This exemption will not affect the employee’s future Social Security benefits. This law requires employers to get a statement from each eligible new hire certifying that he/she was unemployed during the previous 60 days before beginning work, or that he/she has not worked for more than 40 hours total for another employer during that 60-day period. The IRS developed a form for employees to use to make this statement, Form W-11, a copy of which is attached.

Business Tax Credit

Employers may also be eligible to receive up to a \$1,000 general business tax credit for every qualifying new employee retained for at least 52 consecutive weeks. The worker’s wages during the last 26 weeks must be at least 80 percent of their wages during the first 26 weeks of employment. Employers will claim this tax credit on their 2011 business income tax form.



If you have questions or need more information,
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